

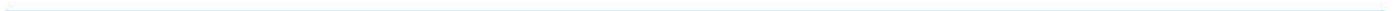


Town of Apple Valley, CA

Community Development Block Grant Program

Office of Audit, Region 9
Los Angeles, CA

Audit Report Number: 2018-LA-1001
January 5, 2018





To: William Vasquez, Director, Office of Community Planning and Development,
Los Angeles, CA, 9DD

//SIGNED//

From: Tanya E. Schulze, Regional Inspector General for Audit, 9DGA

Subject: The Town of Apple Valley, CA, Administered Its Community Development
Block Grant Program in Accordance With HUD Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of the Town of Apple Valley's Community Development Block Grant program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG website. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 213-534-2471.



Audit Report Number: 2018-LA-1001

Date: January 5, 2018

The Town of Apple Valley, CA, Administered Its Community Development Block Grant Program in Accordance With HUD Requirements

Highlights

What We Audited and Why

We audited the Town of Apple Valley's Community Development Block Grant program due to a hotline complaint (HC-2016-2372) alleging that the Town did not use its program funds in accordance with U.S. Department of Housing and Urban Development (HUD) program regulations and requirements. Specifically, the complainant wrote a letter to the previous HUD Secretary alleging that the Town misused program funds. Our audit objective was to determine whether the Town administered its program funds in accordance with HUD regulations and requirements.

What We Found

We determined that the hotline complaint allegation had no merit. The Town administered its program funds in accordance with applicable HUD regulations and requirements for the projects reviewed. The projects reviewed met program national objectives, and project activities were supported and eligible.

What We Recommend

There are no recommendations.

Table of Contents

Background and Objective.....	3
Results of Audit	4
Finding: The Town Administered Its Program in Accordance With HUD Requirements.....	4
Scope and Methodology.....	6
Internal Controls.....	8
Appendix	10
A. Auditee Comments.....	10

Background and Objective

The Town of Apple Valley receives annual Community Development Block Grant entitlement allocation funds from the U.S. Department of Housing and Urban Development (HUD). HUD allocates annual grants on a formula basis to entitled cities and counties to develop viable urban communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for low- and moderate-income persons. The program is authorized under Title 1 of the Housing and Community Development Act of 1974, Public Law 93-383, as amended in 42 U.S.C. (United States Code) 530.1 et seq.

The Town's Community Development Department helps administer the program to provide decent housing and a suitable living environment and expand economic opportunities for low- and moderate-income persons. The Town received more than \$1.6 million in program entitlement funds for fiscal years 2014 to 2016 for the execution of the program.

Program year	Amount
2014	\$531,056
2015	564,460
2016	559,270
Total	1,654,786

Our objective was to determine whether the Town administered its program in accordance with applicable HUD regulations and requirements. Specifically, we wanted to determine whether its projects complied with program requirements.

Results of Audit

Finding: The Town Administered Its Program in Accordance With HUD Rules and Requirements

The Town administered its program funds in accordance with applicable HUD regulations and requirements for two administrative projects, one public service project, two public facility projects, and one rehabilitation and preservation project reviewed. These projects were eligible and supported. Further, we determined that the allegations of the Town's misuse of program funds were not valid.

Program-Funded Projects Were Eligible and Supported

The Town's six reviewed program-funded projects were eligible and supported. These six projects are as follows:

Project	Activity number	Description	Amount
Apple Valley Community Development Block Grant administration	555	Administration expenses of the Town's program	\$106,211
Apple Valley Community Development Block Grant rehabilitation administration program	556	Administration of the Town's residential rehabilitation loan program	71,157
Inland Fair Housing and Mediation Board Fair Housing services	565	A program that provides fair housing and landlord tenant mediation services for residents	11,010
Manufactured home repair program	588	Access improvement for a disabled resident	12,529
Residential rehabilitation loan program	590	Repair of a septic drainage line	13,853

Manufactured home repair program	591	Inspection of a seismic restraint and the level setdown of the modular home, the replacement of HVAC* duct, and replacements of circuits and smoke detectors.	10,252
Totals			225,012

*Heating, ventilation, and air conditioning

All six projects met at least one of the program national objectives. The Town ensured that these project activities were eligible and expenses were supported. As a result, \$225,012 in program expenses for the six reviewed projects was eligible and supported.

No Merit to Allegations of Program Misuse

The complainant wrote a letter to the former HUD Secretary alleging that the Town misuses program funds. Specifically, the complainant had concerns about how the Town disbursed its program funds for projects. Based on the review of sampled projects, we determined that the allegation had no merit.

Conclusion

The Town administered program funds for reviewed projects in accordance with applicable HUD regulations and requirements. There was no merit to the allegation that the Town misused program funds.

Recommendations

There are no recommendations.

Scope and Methodology

We performed our audit work at the Town's office in Apple Valley, CA, from September 27 to November 16, 2017. Our review covered the period October 1, 2013, to September 30, 2016, and was expanded as necessary.

To accomplish our objective, we

- Reviewed relevant background information, including grant agreements, HUD monitoring reports, and the Town's consolidated and action plans.
- Reviewed and analyzed the Town's policies and procedures and internal controls relating to its program.
- Reviewed the Town's audited financial statements for fiscal years 2014, 2015, and 2016.
- Reviewed applicable HUD program rules and requirements.
- Reviewed information from HUD's Line of Credit Control System.¹
- Reviewed information from HUD's Integrated Disbursement and Information System.²
- Reviewed project files for sampled program expenses.
- Interviewed Town personnel responsible for administering the program.

We relied on data maintained by the Town. Specifically, we relied on the accuracy of data taken from HUD's Integrated Disbursement and Information System for the period July 1, 2014, through June 30, 2016. This system is the drawdown system used for the disbursement of program funds. Therefore, we used source documents from sample project files and the amounts disbursed to determine the reliability of data in the Integrated Disbursement and Information System. We relied on the accuracy of data from this system to provide information, such as project names, project numbers, amounts obligated, and amounts spent. Specifically, we compared data from source documents of sample projects to data in the Integrated Disbursement and Information System. Based on our testing, we determined that the data maintained in the system were reliable for meeting our audit objective.

¹ The Line of Credit Control System is HUD's primary grant disbursement system for handling disbursements for the majority of HUD programs.

² The Integrated Disbursement and Information System provides HUD with current information regarding the program activities underway across the Nation, including funding data.

The audit universe consisted of 101 projects totaling more than \$2 million in project expenditures for the Town's program period July 1, 2014, through June 30, 2017. For our review, using Audit Command Language³ software's random generator, we selected six projects with transactions totaling \$225,012 in project expenditures for the period. Overall, our sample represented 11 percent of the expenditures for the period. Although this approach did not allow us to make a projection to the population, it was sufficient to meet the audit objective.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

³ Audit Command Language software provides data analytics and sampling of computerized information.

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Effectiveness and efficiency of program operations – Implementation of policies and procedures to ensure that program funds are used for eligible purposes.
- Reliability of financial information – Implementation of policies and procedures to reasonably ensure that relevant and reliable information is obtained to support eligible program expenditures.
- Compliance with applicable laws and regulations – Implementation of policies and procedures to ensure that the monitoring of and expenditures for program activities comply with applicable HUD rules and requirements.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

We evaluated the internal controls related to the audit objective in accordance with generally accepted government auditing standards. Our evaluation of internal controls did not identify

significant deficiencies related to our audit objective. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Appendix

Appendix A

Auditee Comments

The Town declined the opportunity to provide a written response.